EPTEMBER 1989

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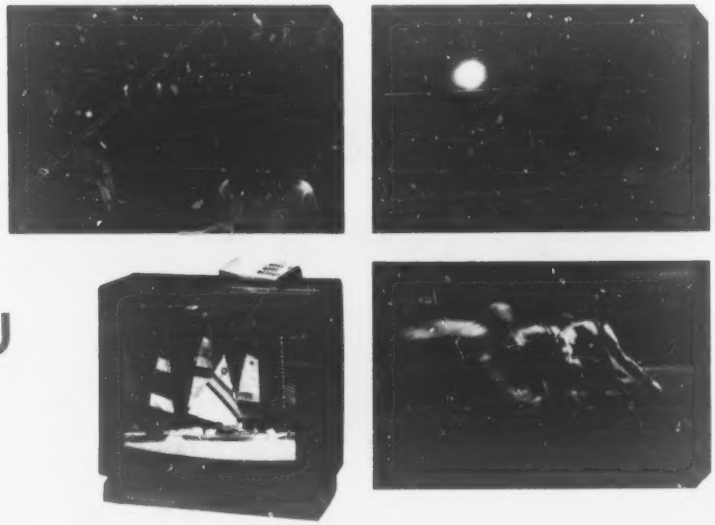
TravelFACTS Survey

INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION



Are you ready for the 90's?

WHAT'S hot

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PLUS

- Sales quotas that motivate
- The database dilemma
- Motivation show
- Energizing a small staff

A BILL PUBLICATION

SEPTEMBER 1989

INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION

85TH YEAR, VOL. 163, NO. 8

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INCENTIVE

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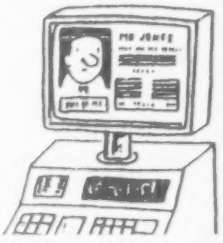

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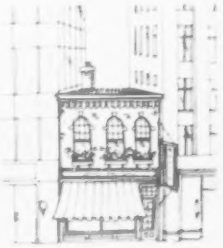

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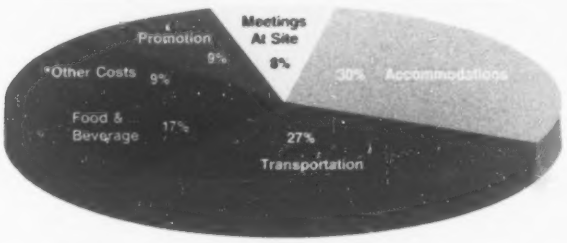
Where The Travel Budget Goes



*Includes Ground Transportation, Side Trips, Insurance, Entertainment, Etc.

Companies are spending more on incentive travel, despite a falloff in both sales gains and participation.

FACTS Survey

A minor boom in incentive travel is under way this year, at least in the plans of 204 companies that responded to a recent survey by **Incentive**. They are predicting an increase of 11.5 percent in their spending for sales and dealer travel campaigns in 1989. If that pace extends to all travel users, this year would show the biggest expansion since the post-recession upswing of 1984, which boosted travel spending 17.5 percent over the previous year.

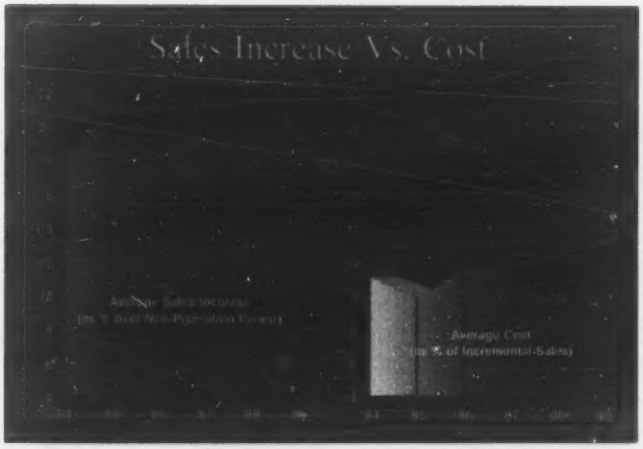
Such bullish forecasts are not surprising—and the final reports may slip to lower levels. What is surprising, however, is that this prognosis comes at the same time the users report a decline in sales results for the second year. In 1987, survey respondents told **Incentive** that they were achieving an average sales growth of 20.8 percent during their travel programs; last year, the comparable figure was 18.4 percent. The current survey group reports an average of only 16 percent yield.

Participation by eligible salespeople, dealers and wholesalers also is off somewhat, from 37 percent a year ago to 34 percent now—a fact that would be expected to cut the overall sales results.

There is less comfort for the travel aficionado in comparing these sales results with those found in an earlier survey on sales incentives (August issue). Sales results there—for both merchandise and travel programs—were 18.7 percent. That is considerably higher than in this travel survey, in which 89 percent of the users show expenditures for sales incentive programs and only 36 percent for dealers. The suggestion may be that merchandise programs are pulling considerably better than travel this year, at least among salespeople.

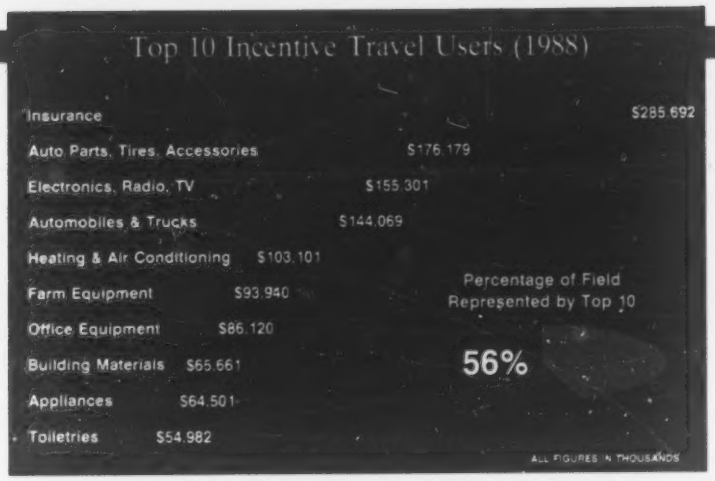
Incentive's dealer promotion survey (April issue) showed no such disparity in results—a 16.6 percent sales gain compared with the 16 percent in the travel study. Dealer incentive programs of all types have tended to produce somewhat smaller gains than sales incentives for a number of years.

There is some good news on program costs in this year's survey. Costs had dropped a little last year after two years of very large increases, and they have been contained well this year too. The average per-person trip price rose slightly to $1,650 from $1,611 in 1988. The median per-person trip price has increased more noticeably to $1,500 from $1,300 a year ago.



Nevertheless, the overall program cost as a percentage of incremental sales has improved. The average cost is up a statistically insignificant amount—to 10.6 percent from 10.4 percent. But the median—a better expression of typical cost—is now only 7 percent of the sales gained, compared with last year's 8 percent. A drop of a percentage point there makes a meaningful dent in the cost of conducting a typical travel campaign.

Last year, marketers spent an estimated $2.19 billion on incentive travel, with 58 percent of that for sales-force motivation and the rest aimed at retailers, distributors and



Companies predict an increase of 11.5 percent in their spending for sales and dealer travel campaigns in 1989.

wholesalers. The total increased only 4.7 percent from 1987 expenditures. And the record was spotty. The two largest users—insurance and auto parts—increased expenditures by double-digit percentages, while two others in the top 10—electronics/radio/television and heating/air conditioning—entered minus figures.

If the projection of an 11.5 percent increase should prevail for all users, it would bring total expenditures to more than $2.4 billion. The greatest increase would be in sales incentive programs. This would reverse last year's trend, which showed sales incentives up only 3.8 percent while dealer travel added 5.9 percent.

Company salespeople are the major targets of surveyed executives, mentioned by 78 percent. Other travel incentive recipients fall into five categories: retailers, 30 percent; independent sales representatives, 25 percent; wholesalers and distributors, 22 percent; dealer salespeople, 19 percent; distributor salespeople, 15 percent; company nonsales employees, 15 percent, and direct sellers, 13 percent. On average, users direct travel incentives at more than two types of participants.

Respondents are even more diverse in the objectives of their incentive programs, citing an average of almost three different purposes. The ultimate goal of most promotion is to sell more goods or services, and so "increase overall volume" is always the favorite objective in the surveys. But it has declined in recent years as users increasingly look at more specific targets.

In this year's dealer and sales incentive surveys, the push for dollars is selected by 60 percent and 63 percent. Because of the greater length of most programs, travel tends to be an exception; objectives are less pinpointed when the campaign runs for six to 12 months. This survey group seeks to increase total sales as a primary objective in 74 percent of cases.

Travel also is favored more for improving morale and goodwill, the second-ranking objective at 45 percent in the present study. Users often cite the personal rapport between travel qualifiers and management people on a group trip as a major benefit.

Richard A. Mayo, vice president of Pick Heaters Inc., a process equipment distributor in West Bend, Wis., names sales gain as his only goal. He conducts an annual trip for about 40 independent sales representatives. "It is impossible to evaluate the results [except by] hearing our representatives talking about," he notes. "We must compete for their time, and we believe this program increases the time they spend promoting our products."

Group trips are still the predominant practice, but less exclusively so than in the past. In the 1970's, 80 percent to 85 percent of all travel users planned group trips; in the present survey, the figure is 62 percent. Group trips tend to be the rule in most dealer programs, while sales incentive users often give individual awards. Individual trips for salespeople permit use of travel awards by smaller firms, where it is not always feasible to have many people out of the office at one time.

The incentive travel universe is largely peopled by couples, with 92 percent in this survey offering trips for two persons. Sixty-eight percent say they accept unmarried couples.

Budgeting for incentive travel is a fairly complex process—made more so with an open-ended program that provides awards for all who reach specified qualification levels. Despite the uncertainty, this type of program continues to grow in favor as the best motivator. It is now favored by 74 percent of survey respondents, while 26 percent hold to the simpler but potentially discouraging practice of offering trips to a predetermined number of participants. →

DESTINATIONS

The most popular cities are listed in order of mentions.

▶ DOMESTIC

395 responses

75 – FLORIDA
Orlando
Marco Island
Miami
Tampa
Key Largo
Key West

66 – HAWAII
Maui
Kauai
Oahu

54 – CALIFORNIA
San Francisco
Los Angeles
San Diego
Lake Tahoe
Palm Springs

27 – ARIZONA
Phoenix
Carefree
Tucson

13 – VIRGIN ISLANDS
St. Thomas

12 – NEW YORK

11 – ILLINOIS
Chicago

11 – LOUISIANA
New Orleans

11 – TEXAS
Dallas

9 – PUERTO RICO

9 – SOUTH CAROLINA
Charleston
Hilton Head

7 – D.C.

7 – MISSOURI
St. Louis
Lake of the Ozarks

7 – TENNESSEE
Nashville

6 – MASSACHUSETTS
Boston

5 – VIRGINIA
Williamsburg

4 – COLORADO

3 – MARYLAND
Baltimore

3 – GEORGIA
Atlanta

3 – PENNSYLVANIA
Philadelphia

2 – ALABAMA

2 – INDIANA
Indianapolis

2 – MAINE

2 – MICHIGAN

2 – OKLAHOMA

2 – VERMONT

1 – ALASKA

1 – IDAHO

1 – KENTUCKY

1 – NEW HAMPSHIRE

1 – NEW JERSEY

1 – NEW MEXICO

1 – OHIO

▶ FOREIGN

215 responses

131 – WESTERN HEMISPHERE

35 – MEXICO
Acapulco
Cancun
Puerto Vallarta

26 – BAHAMAS
Nassau
Paradise Island

26 – CRUISES
Bahamas
Caribbean

23 – CARIBBEAN
Jamaica
St. Maarten
Antigua
Aruba

15 – CANADA
Montreal
Banff
Toronto

6 – BERMUDA

60 – EUROPE

20 – ENGLAND
London

7 – FRANCE
Paris

5 – SWITZERLAND

4 – GERMANY

4 – ITALY

4 – SPAIN

3 – DENMARK
Copenhagen

3 – MONACO
Monte Carlo

3 – PORTUGAL

2 – AUSTRIA

1 – IRELAND

10 – SOUTH PACIFIC

5 – AUSTRALIA
Sydney

4 – TAHITI

9 – FAR EAST

5 – HONG KONG

3 – JAPAN

1 – KOREA

5 – AFRICA

3 – CANARY ISLANDS

2 – EGYPT

Sixty-one percent derive their budgets from a sales forecast and base quotas on that forecast. About 30 percent start with a budget and base quotas on what they think they can afford. Nine percent say they use other means of setting quotas.

The budget is only the beginning of planning a travel incentive program. Fitting a suitable destination to the available dollars and to your audience is among the most important elements.

You cannot please everyone all the time, of course. "Finding a destination that appeals to both top execs who make the final decision and our salespeople who actually win the trip" is a problem for Sharon Montgomery, marketing manager of the Spider Staging Corporation, a Seattle machinery distributor. "A recent cruise contest was very popular among our salespeople," she says, "but top brass were unsupportive and all bowed out at the last minute, asking lower management to represent them on the trip."

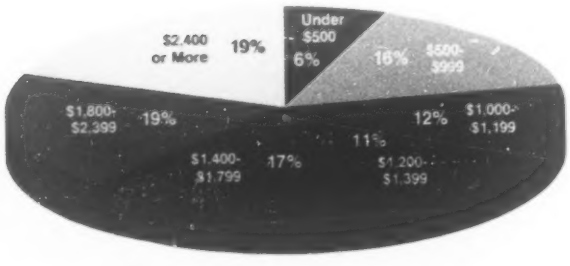
Montgomery takes about 20 people on domestic trips twice a year. About 25 percent of the firm's salespeople qualify, along with their spouses. Business meetings are included in the program.

The entire planning process takes the average company 41 weeks. The range of timetables is wide—from three weeks to three years. The actual selling period for qualification runs up to two years, although a one-year campaign is more common. The average is 29 weeks.

The planning process often includes a trip to the destination site to inspect facilities and walk through the group's stay. Many users share the view of David Jenofsky, vice president of sales for Philadelphia building materials firm Storm Weather Products: "I have been very displeased by trips where I did not previously check out the facilities. I've also been very embarrassed."

For executives who don't have the budget or time for site inspections, Greg Thomas, premium buyer for the Evansville, Ind.-based Credit Thrift Financial Corporation, suggests a partial answer: "more videotape pre-

Cost of Incentive Trip



Average - $1,650 Median - $1,500

TRAVEL INCENTIVE OBJECTIVES

Percentage of respondents reporting

Increase overall volume	74%
Improve morale/good will	45%
Sell new accounts	40%
Introduce new product	27%
Offset competition	23%
Move full line or slow items	22%
Bolster slow season	19%
Support consumer promotion	17%
Build dealer traffic	12%
Prepare for strong season	9%

views of facilities." Thomas plans twice-a-year domestic trips for about 80 salespeople.

"Finding a cost-effective agency to manage the program" is the biggest challenge for Dwight Fish, sales director of the Renaissance Publishing Company, Auburn, Ind. "We are in the middle of a growth cycle...just a bit understaffed to manage in-house and not large enough to let an outside service take over."

For most users, the local travel agent has a slight edge in planning, preferred by 47 percent. Forty-six percent manage their programs in-house. Only 19 percent engage full-service incentive houses, and 17 percent count on the direct services of travel suppliers. (Multiple answers account for a total exceeding 100 percent.)

A promotion is not really over until it has been evaluated against initial objectives. Users have many ways of measuring results; in fact, most surveyed executives use more than one criterion in their evaluations. Toting up dollars or units sold is the most popular measure, used by 64 percent; second choice, used by 42 percent, is the percent of eligible people reaching quota. Twenty-three percent calculate increase in market share, and another 23 percent figure the profit on incremental sales. About 17 percent, based on their sales organization structures, judge branch or district performance.

A common dilemma among users is expressed by an airline executive who has trouble "evaluating whether additional revenue was derived from the incentive program or from other known and unknown sources."

A Midwestern insurance executive laments that his "last contest was a total bust. [The] economy was terrible in many states, and we had no increase as a result of the contest." Market conditions often exert major influence, but many users point out that a zero can be a plus in some circumstances. A heating equipment manufacturer reports a 4 percent market share increase—with a 3 percent decline in sales volume. Clearly, success cannot be measured in a vacuum.

There is nothing like a healthy sales increase to make everyone happy, though—even a skeptical management. Cora M. Lapsins of Transamerica Commercial Finance, Schaumburg, Ill., recently conducted a group trip for 40 company salespeople and their spouses. The incentive program primarily aimed at boosting morale, Lapsins says, but had a substantial sales increase to show for it as well.

"The biggest problem I had," Lapsins says, "was convincing top management that an incentive travel program was not an additional expense but rather an investment in the people of the company that would be paid back tenfold. Our company had never done any incentive travel program before, so it was difficult to persuade them that it would work. But we did it....We achieved a 26 percent increase in sales volume during the contest period. Incentive travel programs do work!" □

TRAVEL FACTS IN BRIEF

Programs per year (median)
Domestic: 2
Foreign: 1

Group trips
Users: 62%
Average number of participants: 124
Median number of participants: 50
Average length: 5 nights

Business meetings
Hold meetings: 58%
Average number of hours/trip: 9.3

Buy-ins
Allow buy-in: 35%
Average of buy-in: 26%

Merchandise
Users with travel: 54%

Consumer travel
Users: 18%
Pay for it: 73%
Trade for it: 27%

Decision-makers
President, executive VP, CEO: 71%
Sales/marketing director: 25%
Product/merchandise manager: 2%
Advertising/sales promotion director: 2%
Meeting planner: 1%